

Message Text

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ACTION EB-08

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GENEVA FOR PHELAN

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TAGS: ETRD, US, RP

SUBJECT: TEXTILES: U.S. PHILIPPINE BILATERAL TEXTILE AGREEMENT

GOP REORGANIZATION OF TEXTILE RESPONSIBILITIES

A. MANILA 3956, B. MANILA 3957

1. SUMMARY: EFFECT OF PLACING RESPONSIBILITY FOR IMPLEMENTATION OF TEXTILE AGREEMENTS IN THE DEPARTMENT OF TRADE (DOT) (REFERENCE MANILA 3956), WILL NOT BE CLEAR UNTIL AFTER APRIL 7 ELECTIONS. HOWEVER, PHILIPPINE TEXTILE MANUFACTURERS BELIEVE GOVERNMENT-INDUSTRY COOPERATION WILL CONTINUE LARGELY AS BEFORE. THERE IS NO EVIDENCE THAT DOT WILL FAVOR NON-TRADITIONAL OVER TRADITIONAL MANUFACTURERS BUT NEW TEXTILE CZAR, UNDERSECRETARY OF TRADE VICENTE VALDEPENAS, IS LIKELY TO TAKE MUCH MORE AGGRESSIVE ACTION TO EXPAND PHILIPPINE TEXTILE EXPORTS. CONSEQUENTLY, TEXTILE NEGOTIATIONS WITH THE PHILIPPINES PROMISE TO BE SOMEWHAT MORE DIFFICULT THAN IN THE RECEPT PAST. END SUMMARY.

2. MANILA 3959 REPORTED NEWSPAPER ARTICLE WHICH STATED

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THAT DOT WAS INVESTIGATING ALLOCATION OF QUOTAS MADE UNDER THE NOW DEFUNCT TEXTILE EXPORT BOARD (TEB). IT APPEARS, HOWEVER, THAT NO FORMAL INVESTIGATION IS UNDERWAY. TEB PERSONNEL HAVE FALLEN UNDER SUSPICION DUE TO COMPLAINTS OF SOME PHILIPPINE EXPORTERS (AND WE UNDERSTAND, SOME AMERICAN IMPORTERS) THAT LARGE AND WELL CONNECTED PHILIPPINE TEXTILE MANUFACTURERS WERE

RECEIVING LION'S SHARE OF QUOTA. HOWEVER, DOT OFFICIALS HAVE DECIDED TO RETAIN TEB PERSONNEL FOR THE TIME BEING, KEEPING THEM UNDER OBSERVATION FOR A PERIOD OF SEVERAL MONTHS BEFORE DECIDING WHETHER OR NOT CHANGES IN MANAGEMENT AND STAFFING WILL BE MADE. WHILE IT IS ABSOLUTELY CERTAIN THAT TEXTILE MANUFACTURERS WHO WERE SITTING ON TEB WERE LOOKING AFTER THEIR OWN BEST INTEREST, IT IS STILL NOT CLEAR WHETHER QUOTA ALLOCATION WAS "ANOMALOUS" OR WHETHER CHARGES DEVELOPED FROM POWER STRUGGLE BETWEEN DEPARTMENTS OF FINANCE (PIO DE RODA) AND TRADE (VALDEPENAS).

3. SHIFT OF RESPONSIBILITY FOR IMPLEMENTING TEXTILE AGREEMENTS TO DOT DOES NOT REPEAT NOT APPEAR TO HAVE AFFECTED BALANCE OF POWER (OR DIVISION OF QUOTAS) BETWEEN TRADITIONAL AND NON-TRADITIONAL SEGMENTS OF LOCAL TEXTILE INDUSTRY. INDUSTRY ADVISORS FORMERLY CONNECTED WITH TEB ARE NOW MEMBERS OF CONSULTATIVE COMMITTEE ORGANIZED BY VALDEPENAS. HOWEVER, TEXTILE MANUFACTURERS WILL NO LONGER PARTICIPATE DIRECTLY IN FORMATION OF GOP TEXTILE POLICIES. INDUSTRY INFLUENCE SEEMS LIKELY TO REMAIN STRONG, AND IT IS CONSIDERED LIKELY THAT INDUSTRY REPRESENTATIVES WILL CONTINUE TO SIT ON GOP DELEGATIONS. TONY CARAG APPEARS TO BE CLOSE TO VALDEPENAS AND JAMES DY, DONALD DEE, QUINT SANTIAGO AND ARMAND PICCIOTTO ARE STILL ACTIVE.
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4. INDUSTRY REPRESENTATIVES BELIEVE GOP TEXTILE APPARATUS MAY UNDERGO FURTHER MODIFICATIONS AFTER APRIL 7 ELECTIONS. CABINET CHANGES ARE POSSIBLE WHICH MIGHT RESULT IN FURTHER SHIFTS OF INFLUENCE. UNDERSECRETARY OF FINANCE PIO DO RODA DONTINUES TO HEAD THE EMBROIDERY BOARD (WHICH WAS ESTABLISHED BY PUBLIC LAW) WHILE THE NEW RESPONSIBILITIES OF DOT ARE BASED ONLY ON A LETTER OF INSTRUCTIONS (LOI).

5. IF LOI REMAINS IN FORCE, IT APPEARS THAT DEPARTMENT OF FINANCE (AND UNDEJSECRETARY PIO DO RODA) HAVE BEEN EASED OUT OF ANY MEANINGFUL ROLE IN GOP TEXTILE SCENE. AT THE SAME TIME, LONG-STANDING RIVALRY BETWEEN DOT AND BOARD OF INVESTMENTS (BOI) WILL PROBABLY BE EXACERBATED, TEXTILE MANUFACTURERS GENERALLY AGREE, THAT FOR THE MOMENT, MORE AGGRESSIVE PERSONALITIES (E.G., VALDEPENAS OF TRADE AND BEN SANCHEZ OF BOI) ARE IN CHARGE OF GOP TEXTILE POLICIES AND ANY BILATERAL DISCUSSIONS WITH THE PHILIPPINES WILL BE CORRESPONDINGLY MORE DIFFICULT.

6. GOP AND INDUSTRY REPRESENTATIVES ARE QUESTIONING

MAY 24 -31 BILATERAL TEXTILE TALKS SCHEDULED FOR BAGUIO.
HONOLULU HAS BEEN MENTIONED AS AN ALTERNATIVE VENUE AND
THERE IS SOME SENTIMENT FOR POSTPONING TALKS UNTIL
AUTUMN OF THIS YEAR. GOP OFFICIALS HAVE REACHED NO
DECISION ON THESE POINTS.
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